

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L LAGOS 001518

SIPDIS

STATE PASS TREASURY FOR ASEVERENS AND
STATE PASS DOC FOR PHUPER

E.O. 12958: DECL: 09/19/2015

TAGS: [ELTN](#) [ECON](#) [PGOV](#) [PREL](#) [NI](#) [CH](#) [KS](#) [XB](#)

SUBJECT: CHINESE AND SOUTH KOREAN FIRMS BIDDING FOR RAIL
LINE PROJECT

Classified By: Consul General Brian L. Browne for reasons 1.4(b)
and (d).

[11](#). (C) Summary. Nigerian Railway Corporation (NRC) Managing Director Abubakar told us competing Chinese and South Korean firms were interested in constructing new rail lines and upgrading existing lines. Sometime in October, the NRC would chose the group with which it will partner. By the end of October, the Government of Nigeria (GON) would announce the bidders for the four existing rail line operating concessions, which is separate from the NRC's decision to grant Chinese or South Korean investors' the go-ahead to develop the rail lines. So far, 11 firms had expressed interest in buying the four concessions, but none were Chinese or South Korean. End Summary.

[12](#). (U) Abubakar claimed five million Nigerian passengers used the rail system in 2004. The NRC recently dismissed 5,980 workers in an attempt to cut costs, a move Abubakar said should have been completed last year. By this move, the NRC effectively halved its workforce, he said. (Comment: Abubakar's figures regarding NRC passengers appeared padded, and significantly so. A senior official within the corporation provided us a much more conservative and plausible estimate of slightly over one million users per year. End Comment.)

Chinese and South Korean Firms
Vying to Develop Nigeria's Rail System

[13](#). (C) Abubakar said he had reviewed rival offers of Chinese and South Korean firms interested in developing new rail lines and upgrading existing ones. He had yet to pick between the two, and said he would decide by late October. While not exceptionally forthcoming, when pressed, Abubakar indicated a preference for the Chinese, but mentionend, if the Chinese balked, he would go with the South Korean investors.

11 Bidders for 4 Rail Concessions
15-20 Year Development Project

[14](#). (C) Eleven bidders have expressed interest in acquiring the four rail operating concessions, in an all-or-nothing package, offered by the NCC: the Western Line from Lagos to Kano to Nguru, the Eastern Line from Port Harcourt to Maiduguri, the Central Line from Itakpe to Ajaokuta to Warri, and the Southern Line covering metropolitan Lagos. None of these lines is new. Abubakar would not identify the bidders, but said several South African firms and a Canadian firm had submitted "expressions of interest." Total costs for the four concessions would be USD three billion, with the bidder paying USD two billion and the GON paying USD one billion, Abubakar said. The winning bidder would have to provide this capital to upgrade the concessions, before the concessions would become profitable. Abubakar stressed the NRC was not planning to fully privatize the rail system, but was looking for private companies to manage the concessions for 15-20 years.

Comment

[15](#). (C) Comment. The Nigerian rail system is decrepit and badly underfunded. As currently structured, expansion of the Nigerian rail system is likely to be unprofitable; the Chinese and South Korean investors are likely looking to the rail system as an entree into more lucrative areas of Nigeria's economy. End comment.

BROWNE